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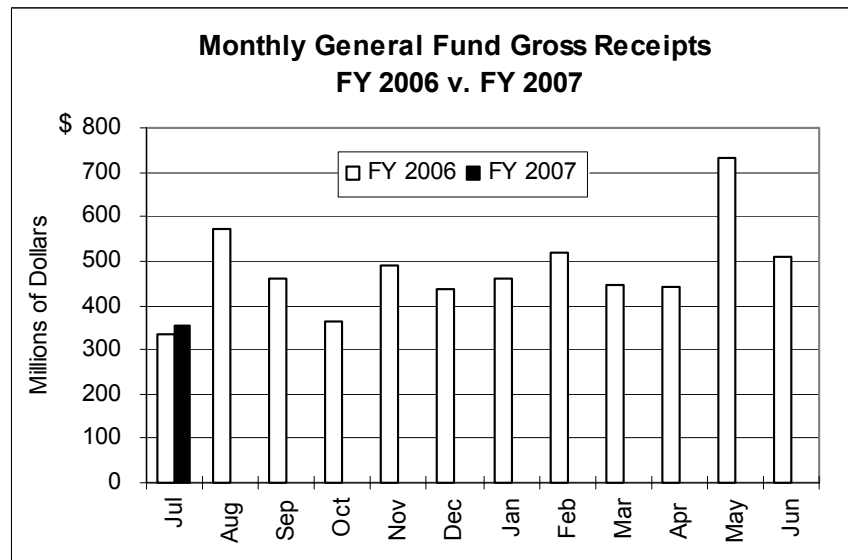
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: August 1, 2006

Monthly General Fund Receipts through July 31, 2006

The attached spreadsheet presents year-to-date FY 2007 General Fund receipts, with comparable figures for actual FY 2006. The figures can be compared to the FY 2007 estimate of \$5.842 billion set by the Revenue Estimating Conference (REC) on March 24, 2006. The FY 2007 estimate is an increase of \$71.2 million (1.2%) compared to actual FY 2006 gross cash receipts (excluding transfers and accrued revenue changes). The current low growth projection is due to FY 2006 gross cash receipts exceeding REC projections. A date for the next Revenue Estimating Conference has not been set.



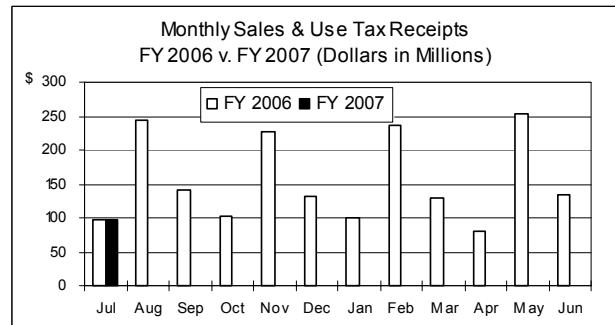
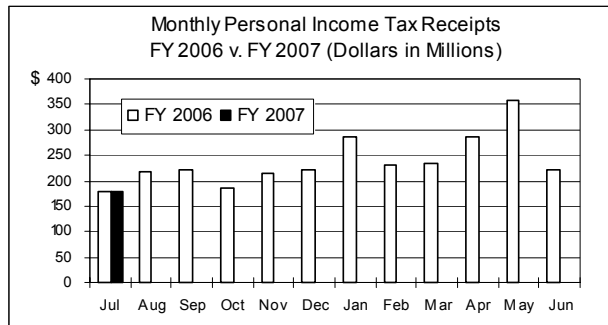
FY 2007 Compared to FY 2006

Fiscal year 2007 total gross cash revenue (excluding transfers) increased \$19.7 million (5.8%) compared to FY 2006. Major revenue sources contributing to the change include:

- Personal income tax (positive \$1.1 million)
- Sales/Use tax (negative \$0.3 million)
- Corporate tax payments (positive \$11.8 million)
- Other taxes (negative \$0.6 million)
- Other receipts (positive \$7.7 million)

Personal income tax revenues received in July totaled \$179.1 million, an increase of \$1.1 million (0.6%) compared to July 2005. Income tax receipts have shown a low rate of growth since early May.

The FY 2007 REC income tax estimate of \$2.918 billion represents a projected increase of 2.2% compared to actual FY 2006. In July, withholding tax payments increased 2.5% while estimated income tax payments increased 6.6%. Payments with returns were down \$4.0 million for the month but are not usually a significant revenue source in July. The following chart compares FY 2007 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2006.



Sales & Use tax receipts received in July totaled \$96.9 million, a decrease of \$0.3 million (- 0.3%) compared to July 2005. Sales & use tax receipts have shown negative growth in five of the past eight months. Over that timeframe, growth has equaled positive 2.3%, down noticeably from the previous two years.

The REC estimate for FY 2007 sales & use tax receipts is \$1.946 billion, an increase of 3.5% compared to actual FY 2006. The preceding chart compares FY 2007 monthly sales tax receipts with FY 2006.

Corporate tax receipts received in July totaled \$20.6 million, an \$11.8 million increase (134.1%) compared to July 2005. The REC estimate for FY 2007 corporate tax revenue is \$320.0 million, which represents a decrease of 8.2% compared to actual FY 2006. The REC estimate for FY 2007 was made prior to the strong corporate tax growth shown in the final three months of FY 2006.

Other tax receipts received in July totaled \$20.2 million, a \$0.6 million (- 2.9%) decrease compared to July 2006.

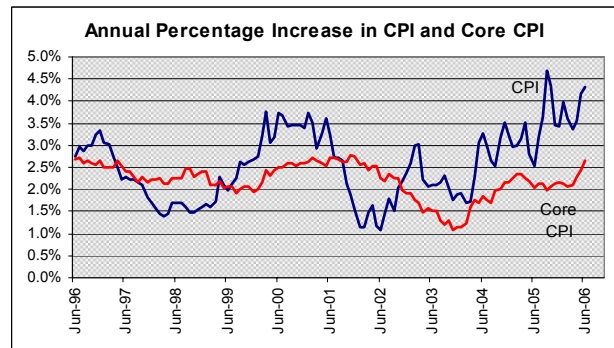
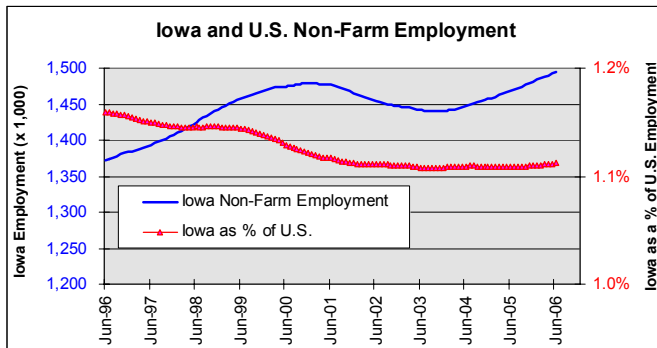
The REC estimate for FY 2007 receipts from other taxes is \$343.2 million, which represents a decrease of 0.1% compared to actual FY 2006.

Other receipts (non-tax receipts) received in July totaled \$36.9 million, a \$7.7 million (26.4%) increase compared to July 2005. Interest, bank fees, and insurance company fees were responsible for the increase.

The REC estimate for FY 2007 other receipts is \$314.6 million, which represents a decrease of 8.4% compared to actual FY 2006.

Status of the Economy

Iowa non-farm employment was reported at 1,526,200 for the month of June (not seasonally adjusted), 26,800 higher than June 2005. The 12-month Iowa moving average employment is presented in a graph below. Iowa non-farm employment (12-month average) peaked at an all time high in January 2001 (1,478,700), and the recent low was September 2003 (1,439,900). The current 12-month average reading is 1,494,500, so annualized Iowa non-farm employment is roughly 15,800 above its 2001 peak and 54,600 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1996 through 2003, but has held relatively stable over the past three years.



Consumer prices increased 0.2% during the month of June (not seasonally adjusted). The Consumer Price Index (CPI-U) through June 2006 was 202.9 (1983/84=100), 4.3% higher than one year ago. Core CPI, an inflation measure that excludes food and energy prices, increased 0.1% during June and the year-over-year change was 2.6%. The core inflation rate has generally declined from the early 1990's through March 2006. Since March, the rate of growth has noticeably accelerated.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

| GENERAL FUND RECEIPTS - FY 2006 vs. FY 2007 July 1 through July 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers | | | | | ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 06 Actual Compared to FY 07 REC Estimate | | |
|--|----------|----------|--------------------------|------------------|--|---------------------|-----------------------|
| | FY 2006 | FY 2007 | Year to Date % Change | July % Change | Actual FY 2006 | Estimate FY 2007 | Projected % Change |
| Personal Income Tax | \$ 178.0 | \$ 179.1 | 0.6% | 0.6% | \$ 2,854.2 | \$ 2,917.8 | 2.2% |
| Sales/Use Tax | 97.2 | 96.9 | -0.3% | -0.3% | 1,881.1 | 1,946.3 | 3.5% |
| Corporate Income Tax | 8.8 | 20.6 | 134.1% | 134.1% | 348.6 | 320.0 | -8.2% |
| Inheritance Tax | 6.0 | 5.9 | -1.7% | -1.7% | 73.1 | 69.6 | -4.8% |
| Insurance Premium Tax | 1.2 | 1.5 | 25.0% | 25.0% | 121.4 | 126.4 | 4.1% |
| Cigarette Tax | 7.1 | 6.7 | -5.6% | -5.6% | 89.5 | 90.0 | 0.6% |
| Tobacco Tax | 0.7 | 1.0 | 42.9% | 42.9% | 9.2 | 9.2 | 0.0% |
| Beer Tax | 1.4 | 1.5 | 7.1% | 7.1% | 14.2 | 14.6 | 2.8% |
| Franchise Tax | 2.4 | 2.3 | -4.2% | -4.2% | 35.5 | 32.8 | -7.6% |
| Miscellaneous Tax | 2.0 | 1.3 | -35.0% | -35.0% | 0.6 | 0.6 | 0.0% |
| Total Special Taxes | \$ 304.7 | \$ 316.7 | 3.9% | 3.9% | \$ 5,427.4 | \$ 5,527.3 | 1.8% |
| Institutional Payments | 0.6 | 1.0 | 66.7% | 66.7% | 13.0 | 12.9 | -0.8% |
| Liquor Profits | 2.0 | 2.8 | 40.0% | 40.0% | 63.8 | 61.8 | -3.1% |
| Interest | 1.2 | 2.8 | 133.3% | 133.3% | 17.5 | 13.5 | -22.9% |
| Fees | 3.4 | 8.2 | 141.2% | 141.2% | 76.2 | 69.9 | -8.3% |
| Judicial Revenue | 6.6 | 8.0 | 21.2% | 21.2% | 63.1 | 61.9 | -1.9% |
| Miscellaneous Receipts | 4.3 | 2.3 | -46.5% | -46.5% | 49.7 | 34.6 | -30.4% |
| Racing and Gaming Receipts | 11.1 | 11.8 | 6.3% | 6.3% | 60.0 | 60.0 | 0.0% |
| TOTAL GROSS RECEIPTS | \$ 334.1 | \$ 353.6 | 5.8% | 5.8% | \$ 5,770.7 | \$ 5,841.9 | 1.2% |